When to go long

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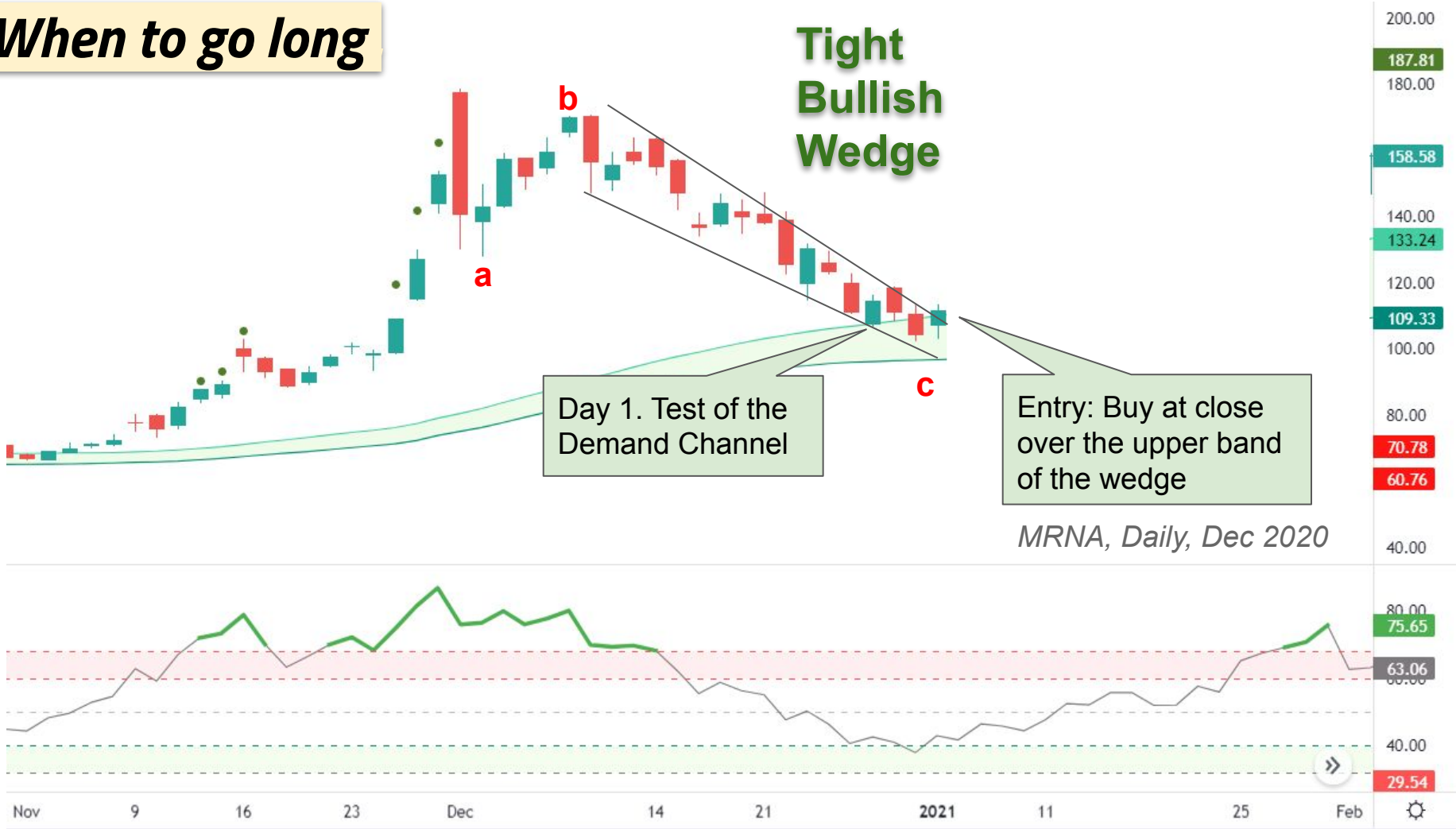
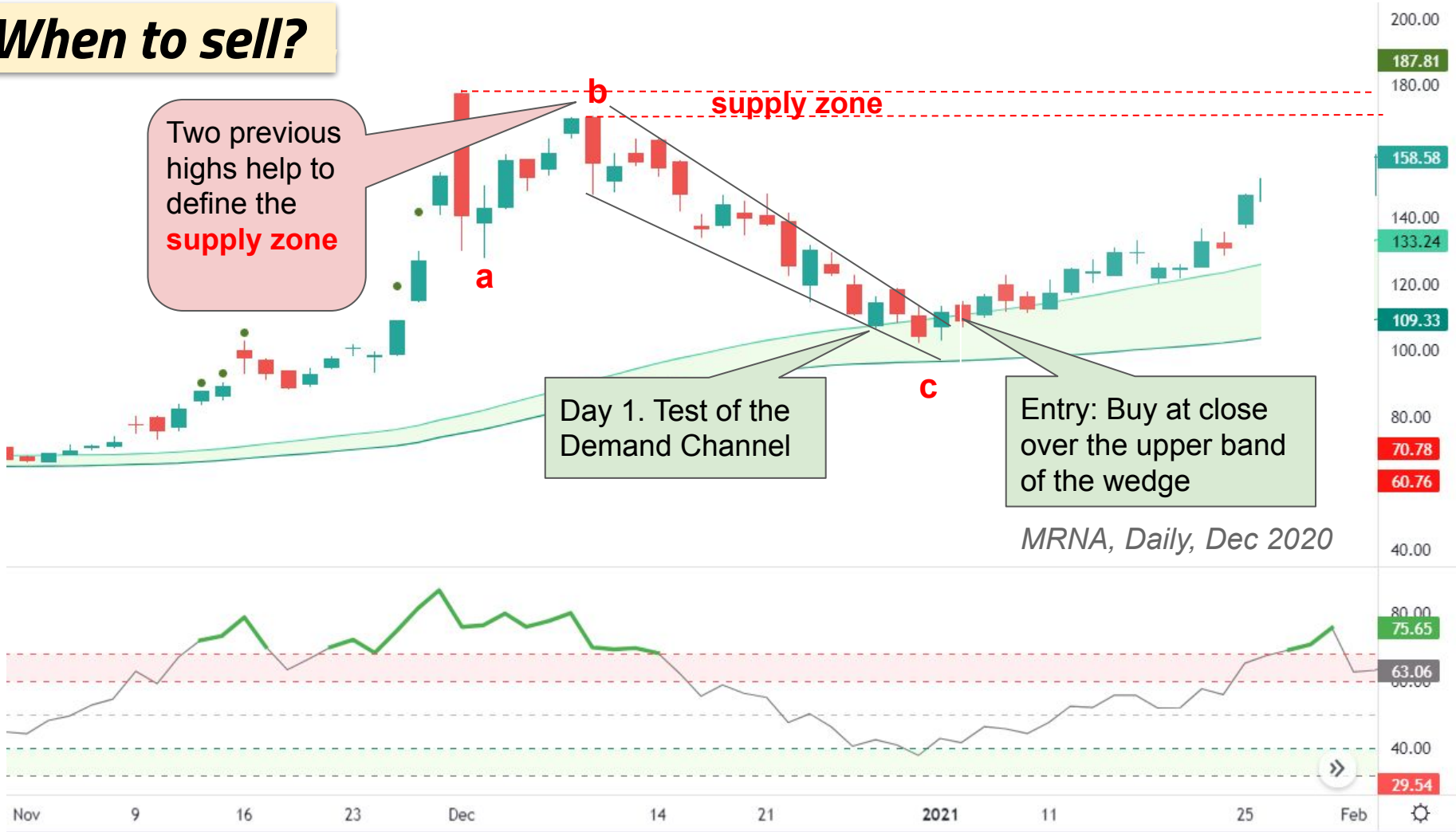


When to sell?


Two previous highs help to define the supply zone
b
supply zone
a
c
Day 1. Test of the Demand Channel
Entry: Buy at close over the upper band of the wedge
MRNA, Daily, Dec 2020
200.00
187.81
180.00
158.58
140.00
133.24
120.00
109.33
100.00
80.00
70.78
60.76
40.00
80.00
75.65
63.06
40.00
29.54
Nov
9
16
23
Dec
14
21
2021
11
25
Feb

When to sell?

Two previous highs help to define the supply zone
b
supply zone
a
Sale of the position at the test of the supply zone would book 51.9% gain
c
Day 1. Test of the Demand Channel
Entry: Buy at close over the upper band of the wedge
18 days
MRNA, Daily, Dec 2020
200.00
187.81
180.00
158.58
140.00
133.24
120.00
109.33
100.00
80.00
70.78
60.76
40.00
80.00
75.65
63.06
40.00
29.54
Nov
9
16
23
Dec
14
21
2021
11
25
Feb

Preliminary conditions for a long trade: Checklist

- ☑ The strength of the rally was confirmed by (i) new higher highs for the last 60 days, (ii) RSI overshooting the upper threshold at 68 level and (iii) MA50 that changed the slope up
- ☑ Price declined into support of the Green Demand channel and RSI held over support level at 40 and confirmed that the move down was corrective rather tand a strong trending move that would overshot the lower threshold at 32
- ☑ Bears were unable to push price under the Green Demand channel
- ☑ We should prefer to buy pullbacks **that are comprised of three moves a down, bup and c down** and/or shaped as a **wedge, flag or pennant**

Takeaways

I have shown you several case studies where price of a strong trending stock gradually declined into the Green Demand zone in an a-b-c- shaped structure but RSI slightly dropped under 40 level we defined as a critical support.

I think we can relax that rule and use 38 instead of 40.

However, we can tolerate RSI going down to 38 only if price holds support of the Green Demand channel on closing basis